UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
SECURITIES EXCHANGE ACT OF 1934
Release No. 50426 / September 23, 2004
ADMINISTRATIVE PROCEEDING
File No. 3-11677

In the Matter of

GENERAL ELECTRIC COMPANY,
Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted against General Electric Company ("GE" or the "Respondent") pursuant to Section 21C of the Securities Exchange Act of 1934 (the "Exchange Act").

II.

In anticipation of the institution of these proceedings, the Respondent has submitted an Offer of Settlement (the "Offer") that the Commission has determined to accept. Solely for the purposes of these proceedings and any other proceeding brought by or on behalf of the Commission or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings, Making Findings, and Imposing a Cease-and-Desist Order Pursuant to Section 21C of the Securities Exchange Act of 1934 ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds-- that:

1. GE is a New York corporation with its principal offices in Fairfield, Connecticut. It is a diversified technology and services company with fiscal 2003 revenue exceeding $134 billion. GE's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange under the symbol "GE."

2. John F. ("Jack") Welch, Jr. ("Welch"), age 68, joined GE in 1960 and held various managerial and then senior executive positions within GE through 1980. Welch was elected chairman and named chief executive officer of GE in 1981 and served in those positions through September 2001, when he retired from the company.
3. Welch spent his entire career at GE, climbing from an entry level position in GE's plastics division to the top job in the company -- chairman and chief executive officer. He served as GE's chairman and CEO for twenty years, from 1981 to 2001. During his first 15 years as chairman and CEO through 1996, GE's market capitalization increased by more than $150 billion. GE's board of directors placed great value on Welch's continued service to GE.

4. In early 1996, at the direction of the management development and compensation committee ("Compensation Committee") of GE's board of directors, and to ensure that Welch would continue to serve as GE's chairman and CEO until he was 65 and would be available to GE thereafter as a consultant, the Compensation Committee's chairman and Welch negotiated an "employment and post-retirement consulting" arrangement that would provide Welch upon retirement with lifetime access to the perquisites and benefits he had received as GE's chairman and CEO. Later in 1996, the Compensation Committee's chairman presented the deal to the Compensation Committee.

5. On December 20, 1996, GE, with the approval of its board of directors, and Welch executed an "employment and post-retirement consulting agreement" (the "Agreement"). The Agreement required Welch to continue to serve as chairman and CEO until December 31, 2000, and, during his retirement, to provide consulting services and advice to GE when and as requested by the company's CEO. In exchange for these services, he was to receive a retainer at the beginning of each year equal to five-days pay (at his daily salary rate existing upon retirement) and a daily fee for each additional day of service. Under the Agreement, however, Welch's principal benefits were non-monetary. With respect to those benefits, the Agreement stated:

"In addition, the Company shall provide Welch, for the remainder of his life, continued access to Company facilities and services comparable to those provided to him prior to his retirement, including access to Company aircraft, cars, office, apartments, and financial planning services."

6. Welch retired on September 30, 2001. In his first year of retirement, Welch received approximately $2.5 million in benefits under the Agreement, which included the following: (a) access to GE aircraft for unlimited personal use and for business travel; (b) exclusive use of a furnished New York City apartment that, according to GE, in 2003, had a rental value of approximately $50,000 a month and a resale value in excess of $11 million; (c) unrestricted access to a chauffeured limousine driven by professionals trained in security measures; (d) a leased Mercedes Benz; (e) office space in both New York City and in Connecticut; (f) the services of professional estate and tax advisors; (g) the services of a personal assistant; (h) communications systems and networks at Welch's homes, including television, fax, phone and computer systems, with technical support; (i) bodyguard security for various speaking engagements, including a book tour to promote his autobiography Jack: Straight from the Gut; and (j) installation of a security system in one of Welch's homes and continued maintenance of security systems GE previously installed in three of Welch's other homes. Approximately $1.2 million of the total cost of these benefits was attributable to Welch's use of GE aircraft.

7. At the time the Agreement was entered into in 1996, GE separately estimated the cost of most of the benefits and determined that the aggregate estimated cost of providing these "facilities and services" would be approximately $1 million a year, exclusive of any estimate of the costs of the annual retainer fee or fees for consulting services under the Agreement. The nature and estimated cost of the benefits was communicated to counsel and the board.

8. GE's 1997 proxy statement did not describe or disclose the
benefits Welch would receive in retirement. Rather, it stated that:

"... the Board agreed ... to provide him continued lifetime access to Company facilities and services comparable to those which are currently made available to him by the Company."

GE included this same disclosure in each of the subsequent five proxy statements it filed through 2002, the last proxy statement in which GE made disclosures concerning the Agreement. These proxy statements were prepared and reviewed by GE's securities law counsel, and the disclosures related to the Agreement, along with certain other information from the proxy statements, were incorporated by reference in GE's 1996—2001 annual reports on Form 10-K, which were signed by a majority of GE's directors.

9. GE filed the Agreement as an exhibit to its 1996 Form 10-K and incorporated the Agreement by reference as an exhibit in each subsequent Form 10-K until the year following Welch's retirement. However, GE did not further describe the "facilities and services" Welch was entitled to in any of its periodic or other reports, including the other Forms 10-K it filed through 2002, nor did GE's proxy statements provide any additional information from which investors could gain an understanding of the retirement benefits Welch would receive. Specifically, although Welch was to receive "facilities and services comparable to those provided to him prior to his retirement," investors could not learn from GE's previously filed proxy statements many of the most significant "facilities and services" Welch had been provided prior to his retirement, including personal use of GE-owned aircraft, personal use of chauffeured limousines and home security systems.

10. As a result of the conduct described above, GE violated the proxy solicitation and periodic reporting provisions of the Exchange Act by filing with the Commission annual reports and proxy statements that failed to fully and accurately disclose the "facilities and services" Welch would receive in retirement.

11. Section 13(a) of the Exchange Act and Rule 13a-1 thereunder require all issuers with securities registered under Section 12 of the Exchange Act to file annual reports with the Commission on Form 10-K. These reports must be complete and accurate in all material respects. See, e.g., SEC v. Savoy Indus., Inc., 587 F.2d 1149, 1165 (D.C. Cir. 1978), cert. denied, 440 U.S. 913 (1979). No showing of scienter is necessary to establish a violation of Section 13(a). Savoy Indus., Inc., 587 F.2d at 1167.

12. Section 14(a) of the Exchange Act requires registrants that solicit any proxy or consent or authorization in connection with any security registered pursuant to Section 12 of the Exchange Act (other than an exempted security), to comply with such rules as the Commission may promulgate. Rule 14a-3 provides that no solicitation of a proxy may occur unless each person solicited is concurrently furnished or has previously been furnished with a proxy statement and Rule 14a-9 prohibits, among other things, the use of proxy statements which omit to state any material fact necessary in order to make the statements therein not false or misleading. Like Section 13(a) of the Exchange Act, no showing of scienter is required to establish a violation of Section 14(a) of the Exchange Act and Rules 14a-3 and 14a-9 thereunder. See, e.g., Gerstle v. Gamble-Skogmo, Inc., 478 F.2d 1281, 1299-1300 (2d Cir. 1973).

13. GE had an obligation to fully disclose Welch's retirement benefits. Item 11 of Form 10-K requires that registrants furnish the information required by Item 402 of Regulation S-K. Similarly, Item 8 of Schedule 14A, captioned "Compensation of Directors and Executive Officers," requires that registrants set forth in the proxy statement the information required by Item 402 of Regulation S-K, if action is to be taken with respect to, among other things, election of directors. Item 402 of Regulation S-K sets forth the required disclosures with respect to executive compensation. The underlying purpose of the Item 402 disclosures is "to improve shareholders' understanding of all forms of compensation paid to senior executives and directors." Securities Act Release No. 6962, Executive Compensation Disclosure (Oct. 16, 1992).
disclosures with respect to executive compensation "enhance shareholders' ability to assess how well directors are representing their interests." 1d. Item 402(h)(2) of Regulation S-K requires that registrants describe the "terms and conditions" of any compensatory plan or arrangement that results from the executive officer's retirement if the amount involved exceeds $100,000. The purpose of Item 402(h) is to provide "shareholders ... a clear interest in knowing what contractual commitments the board has made on behalf of the registrant, both with respect to present inducements to join the registrant's top management and future promises." 1d.

14. GE's 1996 Form 10-K, its 1997 proxy statement and each of its Forms 10-K and proxy statements filed through 2002 failed to fully describe the substantial benefits that Welch would receive as part of the Agreement. The proxy statements only referred to Welch's entitlement to "...continued access to Company facilities and services comparable to those that are currently made available to him by the Company," but did not provide any other specific information about the "facilities and services" Welch would receive in retirement. In addition, the Agreement itself, which was appended as an exhibit to GE's 1996 Form 10-K, did not provide further meaningful and complete disclosure of those "facilities and services." Moreover, GE made no other disclosures in its periodic or other reports that allowed investors to understand the nature and scope of Welch's retirement benefits. As a result, GE failed to satisfy its obligation to fully and adequately describe the terms and conditions of the Agreement. See In the Matter of W.R. Grace & Co., 53 SEC 225, 229 (Sept. 30, 1997) (finding that W.R. Grace failed to fully disclose the substantial retirement benefits provided to CEO J. Peter Grace, Jr.). 5 Accordingly, GE violated Sections 13(a) and 14(a) of the Exchange Act and Rules 13a-1, 14a-3 and 14a-9 thereunder.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent GE's Offer.

Accordingly, it is hereby ORDERED that:

Respondent GE cease and desist from committing or causing any violations and any future violations of Sections 13(a) and 14(a) of the Exchange Act and Rules 13a-1, 14a-3 and 14a-9 thereunder.

By the Commission.

Jonathan G. Katz
Secretary

1 The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

2 GE also paid Welch an annual retainer fee pursuant to the Agreement, in the amount of $86,262.

3 While the specifics of Welch's entitlement to bodyguard security had not been discussed at the time the Agreement was negotiated, the parties generally agreed to continued provision of security for Welch and, accordingly, GE provided Welch with bodyguard security for his book tour.

4 Welch donated the proceeds from the sale of his book to charity.

5 W.R. Grace's proxy statements merely disclosed that Grace, Jr. would receive "other benefits" and appended to a Form 10-K the retirement agreement the company had entered into with Grace, Jr., which stated that he would receive "all other benefits and arrangements currently provided to you . . . including, but not limited to, the use of office space and corporate aircraft."